



Why Hawai'i's Families and Businesses Would Benefit from a New Paid Family Leave Law

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Consider the following typical experiences for workers who need time to care for loved ones: A store clerk and single-mother of teens learns that her live-in aging mother has suffered a stroke and needs care. A young couple in the early stages of their careers finds that their first baby, born a few weeks too early, needs a prolonged hospital care. A restaurant manager and father of two young children is told by his wife's surgeon that she will need more bed rest and rehabilitation to recover from a serious car accident.

Although nearly all employees will at some point need time away from the job to bond with new children or care for other family members, most workers in the United States do not have the legal right to take paid family leave. Some employers fund their own paid leave programs, but such programs reach only 13 percent of U.S. workers nationwide. Current policies in Hawai'i, the federal Family Medical Leave Act and Hawai'i's Family Leave Law, guarantee some but not all workers the right to return to job after time off to care for family members or personal illnesses, but do not include pay for those who take leaves. These policies do not adequately support all working families in the state.

The Need for Inclusive Paid Family Leave

The U.S. Family Medical Leave Act only covers businesses with at least 50 employees, excluding a third of Hawai'i's workforce from rights to even unpaid leaves. And the state policy only covers eligible workers in businesses with more than 100 employees, leaving out more than 90 percent of Hawai'i's businesses and over a third of employees. Eligibility restrictions exclude particular populations, such as workers who hold multiple part-time jobs and young parents who are likely to experience changes in their careers. Many workers cannot afford to take time off even if they have the right to unpaid leave. In a state with one of the highest costs of living in the nation, many working families already struggle to make ends meet. Nor are short-term sick days, vacation days, or personal days a solution for those who need extended time for family care duties.

Paid family leave could help to close many of these gaps in Hawai'i, because such a policy provides the legal right for employees to take extended time off, with partial wage replacement, to attend to the needs of newborn children or elderly parents with serious illnesses or disabilities. With a paid family leave policy, working individuals can meet such family needs while maintaining job security and their incomes.

Research on paid leave policies in other countries – and in California, New Jersey, and Rhode Island – documents many benefits for both workers and businesses:

- Paid leave supports new mothers' physical health and mental health as well as their attachment to the labor force; and fathers take more leave and become more involved.
- By giving parents the time, paid leave increases the chances children will be breastfed longer and receive regular checkups and immunizations.
- Paid leave can help caregivers of older family members balance work and caregiving.
- Because paid leave makes new mothers more likely to return to jobs, employers enjoy reduced employee turnover.
- Access to paid family leave can improve employee productivity and morale.
- Legally required paid family leave can help small businesses compete to attract and retain employees.

Optimal Features for a Paid Family Leave Law

Paid family leave programs should aim to maintain family security, enhance labor force attachment, and promote gender equity. Social insurance, the model used for U.S. Social Security and Medicare, is the most common model for paid leave programs around the world. In this low-cost option, employees pay premiums into a dedicated fund, often through a payroll tax. A strong paid family leave policy for Hawai'i could use this model with the following features:

- **Universal coverage.** All full- and part-time workers should be covered regardless of the size of the company that employs them. This ensures equity for all workers and especially helps low-income workers who are least often employed by companies with their own programs.
- **Guaranteed job protection.** Leave policies without job protection discourage employees from taking leaves; and this feature encourages leave-takers to return to jobs.
- **Adequate wage replacement.** Replacing a high proportion of wages is critical for ensuring that workers can afford to take time – and benefits can be tilted toward low-wage workers.
- **Funding by employee contributions.** In practice, this approach works better than employer funding or combined contributions from employers and employees. Experience shows that when employers are required to fund leave program, they either reduce wages or raise consumer prices. Small premiums paid by all employees are not onerous and ensure that the paid leave program will not be underfunded, requiring cuts in benefits.
- **Sufficient length of leave.** Three to six months of paid leave benefits are sufficient to meet care needs without hurting labor market outcomes.
- **Broad definition of family.** This ensures equity; and if paid leave is restricted to certain subgroups such as new parents, employers may hire fewer workers of that sort.

Read more in Ivette Rodriguez Stern, Hua Zan, and Noreen Kohl "Paid Family Leave: Strengthening Hawai'i's Children and Families," University of Hawai'i Center on the Family, December 2016; Noreen

Kohl, Ivette Rodriguez Stern, and Kathleen Gauci "Paid Family Leave: Benefiting Businesses and the Economy," University of Hawai'i, Center on the Family, December 2017.